



2018/19 Directors' Remuneration Summary

Affinity Water Limited

25 June 2019

Introduction

The following report sets out the remuneration paid to the directors of Affinity Water Limited ('the company') in the year ended 31 March 2019.

For 2018/19 executive director pay continued to be aligned to the company's performance and strategy of delivering value through high quality customer and operational performance whilst ensuring the cost of water remains affordable for customers by incentivising financial efficiencies. The company offers competitive salaries and links executive directors' annual bonuses and long-term incentive plan ('LTIP') payments to the standards of performance it provides to customers as well as the value created for its shareholders.

The remuneration of executive directors in 2018/19 reflected the performance of the company through the annual bonus plan. The company's Remuneration Committee established measures of financial and non-financial performance for the year, including leakage, water quality compliance and other customer experience and operational measures. There was an increase in the weighting of customer service targets in the bonus in 2018/19. The achievement of performance against these targets provided the basis for determining the value of annual bonus awards.

The remuneration of executive directors has continued to be linked to the standards of performance experienced by customers by aligning the leakage and unplanned interruptions annual bonus plan targets for 2018/19 to the commitments made in the company's Business Plan for the 2015-20 price control period, Asset Management Plan 'AMP6'. These are ambitious commitments made to both Ofwat and customers, and they reflect the company's desire to continue to improve on what it does.

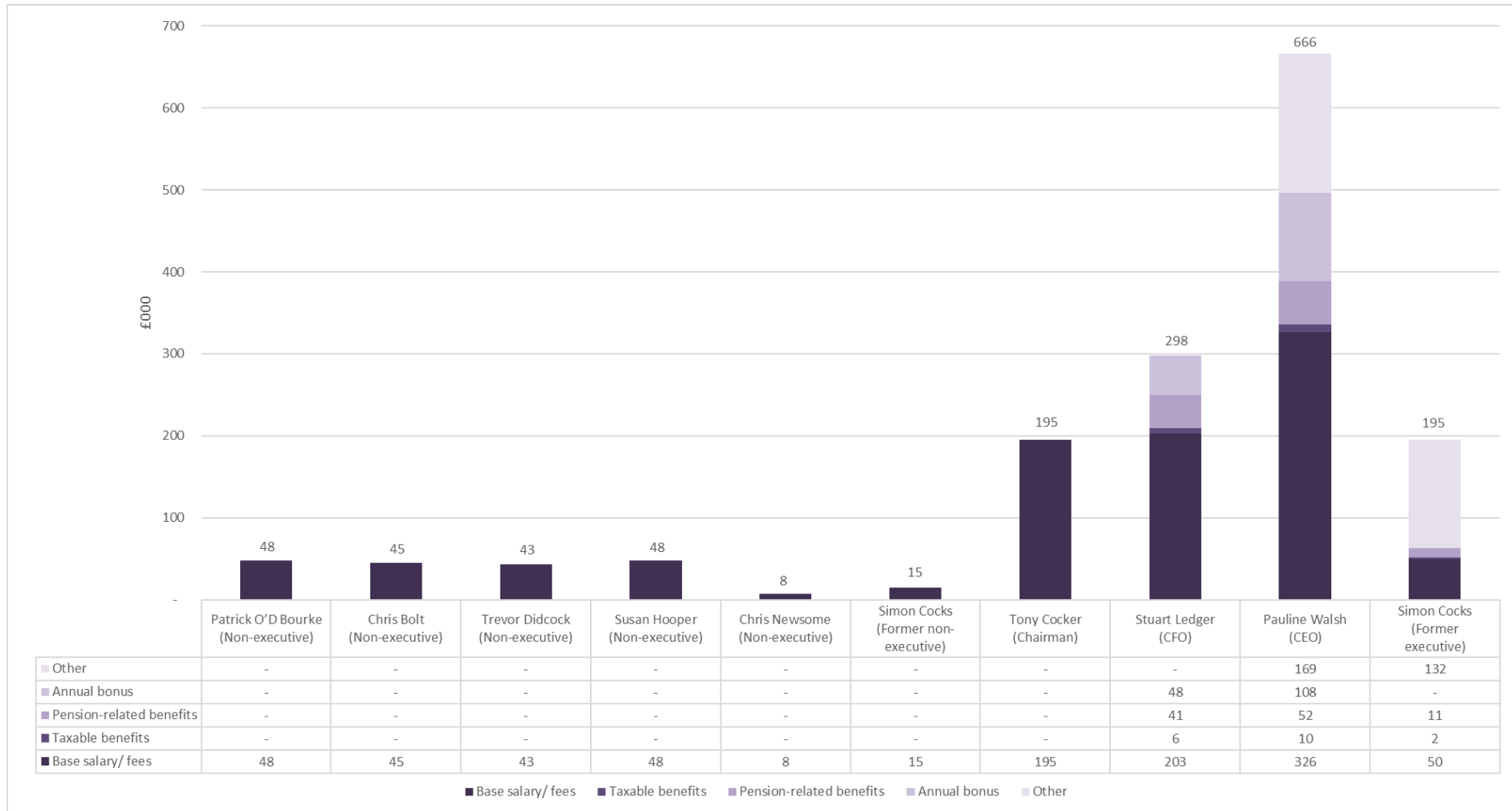
The annual bonus plan targets for 2018/19 continued to be aligned for the executive director, senior manager, selected manager and company-wide schemes. This ensured there was a common focus across the company, particularly with respect to service to customers.

The company also has a LTIP to incentivise executive directors and senior management to meet both financial and strategic targets, including service and performance commitments over a five year period. No awards vested in the year ended 31 March 2019.

The executive remuneration policy of the company is published on the governance pages of its website: stakeholder.affinitywater.co.uk/our-governance.aspx.

The company has also reported its remuneration policy and 2018/19 remuneration in the remuneration report of its Annual Report and Financial Statements for the year ended 31 March 2019, available on the company's stakeholder website: stakeholder.affinitywater.co.uk/investor-library.aspx.

Directors' remuneration 2018/19



Other remuneration for Pauline Walsh relates to discretionary payments made in connection with commencement of qualifying services during the year, including compensation for the forfeit of a variable remuneration arrangement with her previous employer. Other remuneration for Simon Cocks relates to a discretionary bonus in relation to completion of targets associated with his transition from an executive to a non-executive role during the year.

Pauline Walsh, Simon Cocks (in capacity as both executive and non-executive director), and Chris Newsome were not remunerated for the full year.